

FlexShares Disciplined Duration MBS Index Fund

MBSD

All data as of September 30, 2024

OBJECTIVE

The Fund seeks investment results that correspond generally to the price and yield performance, before fees and expenses, of the ICE BofA® Constrained Duration US Mortgage-Backed Securities Index (Underlying Index).

FUND FACTS

Ticker	MBSD
Inception	09/03/2014
CUSIP	33939L779
Exchange	NYSE Arca
Underlying Index	ICE BofA® Constrained Duration US Mortgage Backed Securities Index SM
Index Ticker	M375
IOPV Ticker	MBSD.IV
Estimated Cash Ticker	MBSD.EU
Net Assets	\$88,113,727
Shares Outstanding	4,200,001
No. of Holdings	459

FUND INFORMATION

Weighted Average Effective Duration (years)	3.85
Weighted Average Option Adjusted Spread (basis points)	80.98
Weighted Average Life (years)	4.81
SEC Subsidized Yield	3.55%
SEC Unsubsidized Yield	3.54%
EXPENSE RATIO (%)	
Management Fee	0.20
Acquired Fund Fees and Expenses	0.00
Other Expenses	0.01
Gross Expense Ratio	0.21
Expense Reimbursement	-0.01
Net Expense Ratio	0.20

QUARTER END PERFORMANCE (%) As of September 30, 2024

	QTD	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.	Since Inception
MBSD NAV Return	4.28	4.42	10.00	-0.63	0.64	1.33	1.34
MBSD Market Return	4.33	4.42	10.11	-0.65	0.61	1.32	1.34
ICE BofA® Constrained Duration US Mortgage Backed Securities Index SM Return	4.31	4.81	10.50	-0.07	1.13	1.84	1.83
Bloomberg U.S. MBS Index Return	5.53	4.50	12.32	-1.20	0.04	1.41	1.39

Index performance returns do not reflect any fees, transaction costs, expenses or taxes.

Performance is historical and does not guarantee future results. Current performance may be lower or higher than quoted investment returns and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Performance data for the latest month end is available at <https://www.flexshares.com/us/en/individual/funds>. It is not possible to invest directly in an index.

FlexShares shares are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Total Returns are calculated using the daily 4:00 pm EST Net Asset Value. Beginning July 1, 2024, market price performance is determined using the closing price on the primary exchange. Prior to July 1, 2024, market price performance was determined using the bid/ask midpoint at 4:00pm EST, when the NAV is typically calculated. Market price returns do not represent the returns you would receive if you traded shares at other times.

Northern Trust Investments, Inc. ("NTI" or the "Adviser") has contractually agreed to reimburse a portion of the operating expenses of the Fund (other than Acquired Fund Fees and Expenses) to the extent the "Total Annual Fund Operating Expenses" exceed 0.20% until March 1, 2025. Performance would have been lower without fee waivers and expense reimbursements in effect.

30-Day SEC Subsidized Yield is computed under an SEC standardized formula based on net income earned over the past 30 days. It is a "subsidized" yield, which means it includes contractual expense reimbursements and it would be lower without those reimbursements. It may also include an inflation adjustment that can cause the yield to vary substantially from one month to the next.

30-Day SEC Unsubsidized Yield calculation is also computed under the same SEC standardized formula based on net income earned over the past 30 days, but excludes contractual expense reimbursements, resulting in a lower yield. It may also include an inflation adjustment that can cause the yield to vary substantially from one month to the next.

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TOP FUND HOLDINGS

Name	Coupon	Maturity	Weight (%)
UMBS MORTPASS 5.5% 01/FEB/2049 CL PN# FS2095	5.500%	02/01/2049	1.80
GNMA I MORTPASS 3.5% 15/JUN/2046 SP PN# 785274	3.500%	06/15/2046	1.75
UMBS MORTPASS 5% 01/NOV/2052 CL PN# CB5581	5.000%	11/01/2052	1.72
GNMA I MORTPASS 4.5% 15/MAY/2039 SF PN# 667387	4.500%	05/15/2039	1.52
UMBS MORTPASS 3% 01/AUG/2029 CI PN# AS3120	3.000%	08/01/2029	1.51
GNMA II MORTPASS 6.5% 20/JUN/2053 SF PN# MA8950	6.500%	06/20/2053	1.46
UMBS MORTPASS 4.5% 01/SEP/2037 CI PN# SB8186	4.500%	09/01/2037	1.30
UMBS MORTPASS 2% 01/MAY/2052 CL PN# SD8211	2.000%	05/01/2052	1.26
UMBS MORTPASS 4.5% 01/OCT/2050 CL PN# FS3956	4.500%	10/01/2050	1.25
UMBS MORTPASS 3% 01/DEC/2030 CI PN# AS6321	3.000%	12/01/2030	1.22
Total			14.80

ISSUER (%)

FEDERAL NATIONAL MORTGAGE ASSOCIATION	28.24
UNIFORM MBS	26.04
FEDERAL HOME LOAN MORTGAGE CORPORATION	15.95
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION 2	13.05
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION 1	8.86
Other	7.86

MATURITY (%)

0 - 5 years	7.08
5 - 10 years	14.40
10 - 15 years	15.23
15 - 20 years	20.71
20 - 25 years	15.14
25+ years	26.81
Cash/and or Derivatives	0.63

ASSET ALLOCATION (%)

Bond	99.37
Other	0.63

MBS COUPON RANGES (%)

< 2.0%	7.89
2.0% - 2.9%	23.5
3.0% - 3.9%	22.86
4.0% - 4.9%	22.55
5.0% - 5.9%	9.07
>= 6.0%	13.5
Cash/and or Derivatives	0.63

Holdings are subject to change without notice.

Sectors may include many industries and weights are subject to change without notice.

Country allocations subject to change without notice.

Percentages for some of the tables on this page may not total 100 due to rounding.

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MBSD

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QUALITY (%)

S&P		MOODY'S		FITCH	
AA+	99.37	Agency	77.46	AA+	99.37
Unclassified	0.63	Govt	21.91	Unclassified	0.63
Total	100	Unclassified	0.63	Total	100
		Total	100		

DEFINITIONS

Credit Ratings are forward looking opinions about an issuer's relative creditworthiness. They provide a common and transparent global language for investors to form a view on and compare the relative likelihood of whether an issuer may repay its debts on time and in full. Credit Ratings are just one of many inputs that investors and other market participants can consider as part of their decision-making processes.

Duration is the sensitivity of a fixed income security's price to a change in interest rates.

Fitch's Credit Rating scale assigns using the categories 'AAA' to 'BBB' (investment grade) and 'BB' to 'D' (speculative grade) with an additional +/- for AA through CCC levels indicating relative differences of probability of default or recovery for issues.

Moody's Ratings scale assigns ratings ranging from Aaa to C, with Aaa being the highest quality and C the lowest quality.

S&P Credit Rating scale assigns ratings ranging from AAA the highest quality; extremely strong capacity to meet financial commitments, to D the lowest quality, payment default on a financial commitment or breach of an imputed promise; also used when a bankruptcy petition has been filed.

Weighted Average Effective Duration is the sum of the duration of the underlying securities, weighted by its market value with respect to the total market value of the portfolio.

Weighted Average Life is the sum of the average number of years for which each dollar of unpaid principal on a loan or mortgage remains outstanding of the underlying securities, weighted by its market value with respect to the total market value of the portfolio.

Weighted Average Option Adjusted Spread is the sum of the spreads of the fixed-income security rate and the risk-free rate of return, which is adjusted to take into account an embedded option of the underlying securities, weighted by its market value with respect to the total market value of the portfolio.

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MBSD

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IMPORTANT INFORMATION

Before investing, carefully consider the FlexShares investment objectives, risks, charges and expenses. This and other information is in the prospectus and a summary prospectus, copies of which may be obtained by visiting www.flexshares.com. Read the prospectus carefully before you invest.

Foreside Fund Services, LLC, distributor. FlexShares and Foreside are not related. Neither FlexShares nor Foreside are related to ICE BofAML.

An investment in FlexShares is subject to numerous risks, including possible loss of principal. Fund returns may not match the return of the respective indexes. A full description of risks is in the prospectus.

FlexShares Disciplined Duration MBS Index Fund (MBSD) is passively managed and uses a representative sampling strategy to track its underlying index. Use of a representative sampling strategy creates tracking risk where the Fund's performance could vary substantially from the performance of the underlying index along with the risk of high portfolio turnover. The ICE BofAML® Constrained Duration US Mortgage Backed Securities Index is the intellectual property (including registered trademarks) of ICE BofAML and/or its licensors ("Licensors"), which is used under license. The securities based on the Index are in no way sponsored, endorsed, sold or promoted by ICE BofAML and its Licensors and neither of the Licensors shall have any liability with respect thereto.

ICE BofA® Constrained Duration US Mortgage-Backed Securities Index tracks the performance of US dollar denominated 30-year, 20-year and 15-year fixed rate residential mortgage pass-through securities publicly issued by US agencies in the US domestic market.

Bloomberg Barclays Capital U.S. MBS Index tracks generics fixed-rate mortgage-backed pass-through and hybrid adjustable-rate mortgage pools issued by Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHLMC).

All data provided by: Northern Trust, J.P. Morgan, Rimes, Morningstar and Refinitiv.

Authorized Participant Concentration Risk is the risk that the Fund may be adversely affected because it has a limited number of institutions that act as authorized participants. **Concentration Risk** is the risk that, if the Fund is concentrated in a particular industry or group of industries, the Fund is likely to present more risks than a fund that is broadly diversified over several industries or groups of industries. **Interest Rate Risk** is the risk that during periods of rising interest rates, the Fund's yield (and the market value of its securities) will tend to be lower than prevailing market rates; in periods of falling interest rates, the Fund's yield (and the market value of its securities) will tend to be higher. **Mortgage-Backed Pass-Through Securities Risk** is the risk of investing in mortgage-backed securities issued by a US Agency. Mortgage-backed securities may be less liquid than other bonds, and may be more sensitive than other bonds to the market's perception of issuers and creditworthiness of payees, particularly in declining general economic conditions when concern regarding mortgagees' ability to pay rises, which may result in the Fund experiencing difficulty selling or valuing these securities. In addition, these securities may not be backed by the full faith and credit of the U.S. government, have experienced extraordinary weakness and volatility at various times in recent years, and may decline quickly in the event of a substantial economic or market downturn. **U.S. Government Securities Risk** is the risk that the U.S. government will not provide financial support to its agencies, instrumentalities or sponsored enterprises if it is not obligated to do so by law. Many U.S. government securities that may be purchased by the Fund are not backed by the full faith and credit of the United States. **Credit Risk**, is the risk that the inability or unwillingness of an issuer or guarantor of a fixed-income security, or a counterparty to a TBA, repurchase or other transaction, to meet its payment or other financial obligations will adversely affect the value of the Fund's investments and its returns. The credit quality of a debt security or of the issuer of a debt security held by the Fund could deteriorate rapidly, which may impair the Fund's liquidity or cause a deterioration in the Fund's NAV. **Debt Extension Risk** is the risk that when interest rates rise an issuer will exercise its right to pay principal on certain debt securities held by the Fund later than expected. This will cause the value of the security, and the Fund's NAV, to decrease, and the Fund may lose opportunities to invest in higher yielding securities.

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Financial Sector Risk is the risk that the financial sector can be significantly affected by changes in interest rates, government regulation, the rate of corporate and consumer debt defaulted, price competition, and the availability and cost of capital, among other factors. **Cash Transactions Risk** is the risk from the Fund effecting creation and redemption orders of its shares entirely for cash, rather than for in-kind securities. The Fund may have to sell portfolio securities at inopportune times in order to obtain the cash needed to meet redemption orders. **High Portfolio Turnover Risk** is the risk that active and frequent trading of the Fund's portfolio securities may result in increased transaction costs to the Fund. **Liquidity Risk** is the risk that certain portfolio securities may be less liquid than others, which may make them difficult or impossible to sell at the time and the price that the Fund would like, adversely affecting the value of the Fund's investments, its returns. Illiquid investments may be harder to value, especially in changing markets, and if the Fund is forced to sell these investments to meet redemption requests or for other cash needs, the Fund may suffer a loss. **Tracking Error Risk** is the risk that the Fund's performance may vary substantially from the performance of the Underlying Index. The Fund's performance may vary from the performance of the Underlying Index for a number of reasons including that the Fund incurs operating expenses that the Underlying Index does not and that the Fund accepts custom baskets. **Market Trading Risk** is the risk that the Fund faces because its shares are listed on a securities exchange, including the potential lack of an active market for Fund shares, losses from trading in secondary markets, periods of high volatility and disruption in the creation/redemption process of the Fund. ANY OF THESE FACTORS MAY LEAD TO THE FUND'S SHARES TRADING AT A PREMIUM OR DISCOUNT TO NAV.